

The South African Market Is Booming

By Margaret N. Ntloedibe

South Africa has a market-oriented agricultural economy and is a net exporter of agricultural products. Although South African agricultural production has almost doubled in the past 30 years, erratic weather can cause significant production variations from year to year. The country is self-sufficient in primary foods with the exceptions of wheat, oilseeds and rice. From the United States, South Africa imports primarily rice, planting seeds, hardwood, wheat and animal fats.

A Market Growing in Sophistication

The South African food and beverage market is becoming increasingly sophisticated, supplied by both local and imported products. South Africa is aggressively marketing local products and also has the “Proudly South African” campaign, which promotes the country’s products and services to consumers. Surveys show that recognition of the “Proudly South African” logo has grown from 10 to 64 percent of the population.

South African consumers now enjoy access to organically grown fruits and vegetables, while having more brands to choose from on grocery shelves. The majority of consumers, however, remain very price conscious. As a result, in supermarkets and grocery stores, more inexpensive store brands usually lead in sales. Store brands dominate the market in all categories except toiletries and confectionery.

South Africans have always been big red meat eaters, with fish often a distant

second protein choice. Market research indicates that the retail frozen fish market is primarily driven by the coated hake subcategory, which accounts for more than one-third of all fish sales. Prepared frozen fish dinners are also gaining in popularity. More consumers are eating fish as a healthy alternative to meat.

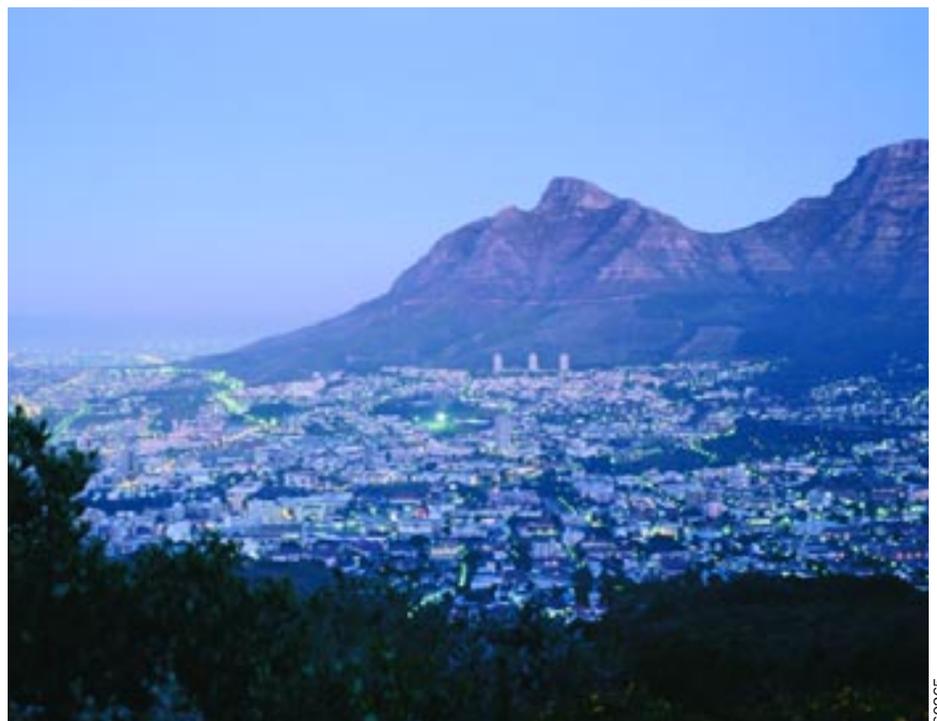
Overall, the primary competition for the United States in the South African food market comes from Argentina, Brazil, the United Kingdom and Australia. There are definite opportunities for U.S. suppliers of many products to increase market share. South African consumers generally view U.S. products as high quality. Educating consumers about the variety and quality of U.S. products could significantly increase sales.

The growing retail industry needs more imported foods and beverages. Opportunities also exist for niche prod-

South African Currency

South Africa’s economic situation and the strength of its currency, the rand, have improved considerably since 2001. The rand declined from an average of R4.30 per U.S. dollar in 1996 to briefly touch R13 per dollar in late 2001. It strengthened considerably to R6.5 per dollar in early 2004. U.S. exports had been negatively impacted by the rand’s depreciation, but the changed situation has made U.S. products more affordable for South African consumers.

ucts. South African importers are seeking reliable suppliers who can deliver quality products at competitive prices, another opportunity for U.S. companies that can meet these criteria. In addition, the trading climate with South Africa is improving, thanks to transparent import regula-





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tions combined with a steady decline in tariff levels for most products.

With all the optimism, however, there is a note of caution—a large portion of the South African population still has very limited disposable income. That being said, the average South African consumer is increasingly demanding a wide range of products on supermarket shelves. As a result, supermarkets are carrying more and more imported and specialty items. In addition, the growth of tourism in South Africa has increased demand for Western-style foods and consumer-ready products.

Getting Products to the Customer

Retail trade outlets in South Africa represent the full spectrum of what is available in the United States—neighborhood convenience stores, specialty stores, boutiques, chain stores, department stores and large wholesale and retail outlets. There are also cooperative stores serving rural areas. A major phenomenon in South Africa is the evolution of hypermarkets that sell large quantities of consumer goods on a self-serve basis.

South African importers are general-

SOUTH AFRICA HAS REDUCED ITS AVERAGE TARIFF RATE FROM MORE THAN 20% TO 7%.

ists who import a wide range of food products. It is important for an exporter to work with someone locally who knows the market well.

Continued interaction between U.S. suppliers and South African food importers and consumers through trade shows, trade missions and in-store promotions is key to increasing U.S. exports to the country.

Ready for Regulations

All food imports are subject to random checking at points of entry. International freight forwarders normally handle documentation with local authorities.

Since 1994, South Africa has reformed and simplified its tariff structure in order

A Diversified Retail Sector

South Africa has an increasingly diversified retail sector. While the number of supermarket chain stores has increased slightly (2,028 stores in 2003 versus 2,009 in 2001), the major growth has been in stand-alone convenience stores (158 stores in 2003 versus 80 in 2001), forecourt stores (gas station convenience stores) and franchises selling convenience meals and fast foods. These are all good venues for imported products, and provide more convenience and accessibility to a nation increasingly on the go.

to comply with its WTO (World Trade Organization) commitments. It has reduced tariff rates from an average of more than 20 percent to 7 percent.

The South African Directorate of Plant Health and Quality of the National Department of Agriculture sets standards for agricultural products, including requirements for composition, quality, packaging and labeling. Fish products require a special import permit. Irradiated meats are banned. ■

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